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FEATURES OF ACCOUNTING AND REPORTING IN THE UK

Accounting in the UK has developed as an independent discipline, pragmatically responding to the needs and practices of business. Over time, company law added structure and other requirements, but still allowed accountants considerable flexibility in applying professional judgment. Since the 1970s, the most important source of development in the field of company law has been the EU Directives, especially the Fourth and Seventh Directives. At the same time, accounting standards and the process of setting standards have become more authoritative.

The impact of British accounting for the rest of the world is very significant. The United Kingdom was the first country in the world to develop the accounting profession as we know it today. The concept of fair presentation of financial results and position (the true and fair view) is also of British origin. Professional thinking and accounting practices were exported to Australia, Canada, the United States, and other former British colonies, including Hong Kong, India, Kenya, New Zealand, Nigeria, Singapore, and South Africa.

The two main sources of financial accounting standards in the UK are company law and the accounting profession. The activities of companies registered in the United Kingdom are widely regulated by documents called Company Acts.

Company law has been updated, expanded and consolidated over the years. For example, the Fourth EU Directive came into force in 1981, adding statutory rules on formats, accounting principles and basic accounting conventions. This was the first time that standardized financial reporting formats had been introduced in the United

Kingdom. Companies can choose an alternative balance sheet format and four profit and loss account formats. The 1981 Act also establishes five basic principles of accounting:

1. Income and expenses are agreed on the basis of accrual.

2. Separate items of assets and liabilities within each class of assets and liabilities are valued separately.

3. The principle of conservatism (prudence) is applied, especially in the recognition of realized income and all recognized liabilities and losses.

4. You need to consistently apply accounting policies from year to year.

5. The operating principle applies to the entity being accounted for.

Company law contains broad valuation rules, as accounting may be based on historical or current value.The Companies Act 1985 consolidated and expanded previous legislation and was amended in 1989 to recognize the Seventh EU Directive. This act requires the consolidation of financial statements, although consolidation was already standard practice. Legislative provisions are general and allow for much flexibility in specific cases.

The six accounting bodies in the United Kingdom are linked through the Consultative Committee of Accountancy Bodies (CCAB), established in 1970.

1. The Institute of Chartered Accountants in England and Wales
2. The Institute of Chartered Accountants of Scotland
3. The Institute of Chartered Accountants in Ireland
4. The Association of Chartered Certified Accountants
5. The Chartered Institute of Management Accountants
6. The Chartered Institute of Public Finance and Accountancy

British standard-setting evolved from recommendations on accounting principles (issued by the Institute of Chartered Accountants of England and Wales) to the establishment of the Accounting Standards Board in 1970, later renamed the Accounting Standards Committee (ASC). The ASC has published Statements on Standard Accounting Practice (SSAP). The ASC has allowed six accounting authorities to veto any standard. The veto power of these organizations often led to excessive delays and trade-offs in SSAP development. In addition, SSAPs were more of a recommendation than mandatory requirements and had little authority.

The Companies Act 1989 was important not only for the implementation of the Seventh EU Directive, but also for the implementation of the Dearing Report recommendations. The 1989 Act established a new Financial Reporting Council (FRC), which is responsible for overseeing three bodies: the Accounting Standards Board (ASB), which replaced the ASC in 1990, and the Ad Hoc Group on Urgent Matters. (Urgent Issues Task Force, UTTF) and the Financial Reporting Review Panel.

An Accountancy Investigation and Discipline Board (now the Accounting and Actuarial Discipline AADB) has also been set up to act as a mechanism to investigate and discipline accountants or accounting firms for breaches. . All these reforms were designed to strengthen the accounting and auditing profession and provide a more effective accounting regulation system. Thus, the Financial Reporting Board is responsible for both accounting and auditing standards, as well as for their implementation.

British financial statements are one of the most comprehensive in the world. Financial statements typically include:

1. Directors' report.
2. Profit and loss account and balance sheet, Profit and loss account and balance sheet.
3. Cash flow statement.
4. Statement of profit and loss, Statement of total recognized gains and losses.
5. Statement of accounting policies.
6. Notes referred to in the financial statements, Notes referenced in the financial statements.
7. Auditor's report.

So far, the discussion has been focused on the usual accounting practices and conventions, along with the foreseeable effects of the envisaged Brexit. The possible solutions to these ascertainable issues lie in the foundation elements of the accounting industry. In a study conducted by the Association of Accounting Technicians (AAT) and Association of Chartered Certified Accountants (ACCA), 47% of the MPs have displayed an affirmative stance over the Accounting industry, from the perspective of the prospective Brexit. Their belief that accountants shall face positive implications due to the uncertainty the UK faces, standing at the threshold of separation from the EU, is putting another level of confidence among accountants.

The accounting standards were introduced in the UK in order to promote the following factors within accounting as well as the business sector: Transparency; Guidance and SupportOrganized Record keeping; Efficient Business Management.

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EVOLUTION OF BALANCE THEORIES

Balance theories are theories that interpret the form and content of balance sheets as part of financial statements, regardless of legislation, respectively, which determines the purpose and concepts of balance sheets based on their economic nature and economic content. Classical balance theories are: the theory of static balance, which is also called static balance theory; dynamic balance theory (dynamic balance theory); theory of organic balance (organic balance theory).

The idea of distinguishing between static and dynamic approach to balance belongs to the eminent German scientist E. Schmalenbach, who systematized the two main trends in the interpretation of reporting and justified their incompatibility.

Assets and liabilities in such a system are recorded if they are actually available at the time of the inventory. The financial result is determined after the inventory as the difference between net assets at the beginning and end of the period. In different sources, such a system of accounting has different names: unigraphic (simple) accounting, a system of simple double entry.

The emergence of static balance theory was facilitated by the activities of Venetian sailors. The liquidation balance was compiled each time after returning from the voyage, and only in this case the profit was defined as the difference between the capital remaining after the sale of all goods, and the initial capital.

The most important task of reporting, according to static theory, is to determine the value of the net assets of the entity using the balance sheet. Proponents of static theory divide all accounts into two groups - property and capital, while debtors increase property and creditors decrease. Thus, net assets are the equity of the enterprise.

The need to determine the net property was due to the need to verify the adequacy or insufficiency of funds from the conditional sale of assets of the enterprise to pay its liabilities. To create static accounting, the principle of fictitious liquidation was applied: in a given time interval, an inventory of the company's assets and an assessment of each asset at a conditional sale on the market. The value obtained is compared with the liabilities of the entity: a positive value indicates the